

Where Does Money Come From?

Lesson 3

Overview:

This lesson will teach students about the history of money and how money is produced in our country.

Preparation/Materials:

- Collect samples or pictures of as many kinds of money (differing denominations of coins and paper money, currencies from other countries, currencies from other eras) as possible for display in the classroom.
- Check out the book *Hundred Penny Box* by Sharon Bell Mathis, Puffin Books, New York, 1975, from your school or local library. If the book is not available, a summary is provided at the end of this lesson.
- Fill a jar or box with 100 pennies. Your local financial institution should be able to help. Be sure they are a mix of years and mints of origin.
- Have enough one-dollar bills (7-10) to use with each group in the activities.



Objectives:

Students will be able to:

- Explain why we use money for exchange.
- Describe how money has changed over time.
- Explain where money in our country is made and circulated.

State Learning Standards/Benchmarks: 15.D.2a; 4.A.2a; 4.B.2b; 3.B.1a; 3.B.2a

Teacher Background:

As noted in Lesson 2, nations developed money to provide a common medium of exchange. Commodity money - items such as salt, tea, tobacco, cattle - was used at first, but lacked the characteristics of money that make it easily usable. So, over time, coins and other types of currency were developed. Today, our system of coins and currency continue to change.

Coins were introduced as money around 5000 B.C. By 700 B.C., countries were minting their own series of coins with specific values. Metal was the material of choice because it was readily available, easy to work with and could be recycled. Using coins as money was a fantastic idea. Because each coin was given a certain value, it became easier to compare the cost of items people wanted. In other words, they could comparison shop. Nonetheless, over time difficulties arose. Coins were easier to carry around than salt or cattle, but if you needed to carry a large amount of money, coins were heavy, too. Over time, people looked for another choice and discovered paper. Some of the earliest known paper money dates back to 1300 A.D.

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In America, the early settlers often bartered or used commodity money. As states evolved, paper money became more common. After the American revolution, the number of states grew. Soon, many states began circulating their own currency. After the Civil War, a new monetary system was established. A United States Treasury was created in 1877 to supply uniform currency to all the states in the country. The present system of currency as we know it was born.

Today, the Federal Reserve Bank (*our government's bank*) is responsible for monitoring the supply of available currency in the United States. At one time, banks were permitted to issue their own paper bills. They were allowed to issue their own money as long as they kept a portion of the bank's savings with the government. However, banks soon began issuing currency with so many different face values that the situation became unwieldy. At one point, there were over a thousand different types of paper money in circulation.

Since 1877, all paper money has been issued by the U.S. Treasury Department. The Bureau of Engraving and Printing in Washington, D.C., produces the bills. The coins we use are produced in four government mints. These mints are located in Philadelphia, Pennsylvania (P); Denver, Colorado (D); San Francisco, California (S); and West Point, New York (W). One of these letters is located on most coins, so we can easily tell where a coin was minted.

The Federal Reserve is responsible for monitoring how much money is in circulation being used in our economy. Approximately \$563 billion is in circulation today.

As money wears out or is damaged, most people return it to a financial institution, which in turn gives it to a Federal Reserve Bank. Federal Reserve Banks shred damaged or worn money daily. They shred millions each year. The Treasury only prints enough new money to replace the amount of money shredded or destroyed. The average life of a one-dollar bill is eighteen months.

Introduction:

Show students the various kinds of money you have collected (*or pictures*); ask if any of them have seen money like this. Ask what was used as money in early days in our country (*beads, fur pelts, tobacco, etc.*). Remind them of Lesson 2 on money and ask them to explain why these commodity monies were difficult to use (*perishable, difficult to divide, difficult to carry, difficult to decide common values*).

Activity:

- Read the story *Hundred Penny Box* by Sharon Bell Mathis. Have a jar or box with 100 pennies in it on display while reading.
- Explain to the students they are going to learn about the 100 pennies in your jar/box - where they were minted (*explain that means how a coin is made*), and when they were minted. Explain that coins are minted in one of four places (*see above*) and there is a letter on each coin to indicate where it was made. Each coin is also dated for the year in which it was produced.

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- After reading the story, divide the students into groups of 3 or 4 and have each group take a handful of pennies (*approximately 10-15*) from the jar. Have them study the pennies carefully, noting what words are on each, the date it was minted and where it was minted. Have them note the condition of the coin as well - new, worn, tarnished, etc.
- Using small pieces of tape, have them tape each of their coins to an index card and write a list of adjectives to describe the coin. Also record the date and place where it was minted.
- Have the class discuss ways in which they might sort their pennies - ways in which they might group them by characteristics they share (*by date, mint location, condition*). Discuss the subcategories they might use for each of the groupings (*by condition they might group by shiny, dull, worn; by date they might group by years or by decades; etc.*).
- Have each group categorize their pennies in each of the ways suggested, and count how many are in each category.

Activity 2: The Dollar Bill

- Provide each group with a dollar bill; have them examine the bill, again noting characteristics. Ask what signatures are on the bill. If you are able to have both the new and old dollar bills, have students compare them; how do they differ?
- Note that a Federal Reserve Bank issues each bill and there is a number and letter of the alphabet on each bill that indicates which Federal Reserve District issued the bill. Bills issued by the Federal Reserve Bank of Chicago have a "G" in the circle on the left, and have two numeral "7s" to the right of the portrait.

Post this list of Federal Reserve Banks and have students figure out what letter of the alphabet and number denotes each on a bill.

First District	Boston	(A - 1)
Second District	New York	(B - 2)
Third District	Philadelphia	(C - 3)
Fourth District	Cleveland	(D - 4)
Fifth District	Richmond	(E - 5)
Sixth District	Atlanta	(F - 6)
Seventh District	Chicago	(G - 7)
Eighth District	St. Louis	(H - 8)
Ninth District	Minneapolis	(I - 9)
Tenth District	Kansas City	(J - 10)
Eleventh District	Dallas	(K - 11)
Twelfth District	San Francisco	(L - 12)

Have students identify the origin of the dollar they are examining.

Summary Activities:

- Read the Teacher Background information to students to review the development of money and to help them understand where money is produced and the role of the Federal

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Reserve Banks.

- Look at the website <http://www.pennies.org/facts.html> for additional information on the first currency made in the United States.
- Visit <http://www.pbs.org/wgbh/nova/moolah/history.html>
- Visit the web site of the Federal Reserve Bank of Chicago at www.chicagofed.org for information on the new dollar bill.

Additional Resources:

The Story of Money, Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10045; 1998.

The Go-Around Dollar, by Barbara Johnston Adams.

Web-based lessons on EconEdLink at www.econedlink.org - online lessons:

- I Have No Money, Would You Take Wampum?
- Changes in Change.
- The Story of Jack and the Bankstalk.

Acknowledgement:

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